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SUBJECT: ACCOUNTING AND CONTROL
DATE: 26TH MAY 2015
CLASS: DHRM JAN 2015B – FULLTIME CLASS
LECTURER: GRACE MUSA
TIME: 2 ½ HRS
ANSWER ANY FOUR QUESTIONS

QUESTION ONE

(a) From the following trial balance of P Boones draw up a trading and profit and loss account for the year ended 30 September 2002, and a balance sheet as at that date.

	Dr ksh	Cr ksh
Stock 1 October 2014	23,680	
Carriage outwards	2,000	
Carriage inwards	3,100	
Returns inwards	2,050	
Returns outwards		3,220
Purchases	118,740	
Sales		186,000
Salaries and wages	38,620	
Rent	3,040	
Insurance	780	
Motor expenses	6,640	
Office expenses	2,160	
Lighting and heating expenses	1,660	
General expenses	3,140	
Premises	50,000	
Motor vehicles	18,000	
Fixtures and fittings	3,500	
Debtors	38,960	
Creditors		17,310
Cash at bank	4,820	
Drawings	12,000	
Capital		126,360
	<u>332,890</u>	<u>332,890</u>

NOTE: Closing stock at the end of the period was valued at kshs 29,460.

(12 marks)

(b) Explain the differences that exists between these costs

- (i) Fixed costs and variable costs
- (ii) Semi-variable and Semi-fixed costs
- (iii) Relevant costs and irrelevant costs

(iv) Cost units and cost centers

(8 marks)

QUESTION TWO

(a) Enumerate four essential ways of a good labor remuneration system.

(8 marks)

(b) You are to enter the following items in the books, post to personal accounts, and show transfers to the general ledger.

2014

July	1	Credit purchases from: K Hill kshs3800; M Norman kshs500; N Senior kshs106.
"	3	Credit sales to: E Rigby kshs510; E Phillips kshs246; F Thompson kshs356.
	5	Credit purchases from: R Morton kshs200; J Cook ks180; D Edwards kshs410; C Davies kshs66.
"	8	Credit sales to: A Green kshs307; H George kshs250; J Ferguson kshs185.
"	12	Returns outwards to: M Norman kshs30; N Senior kshs16.
"	14	Returns inwards from: E Phillips kshs18; F Thompson kshs22.
"	20	Credit sales to: E Phillips kshs188; F Powell kshs310; E Lee kshs420.
"	24	Credit purchases from: Ferguson kshs550; K Ennevor kshs900.
"	31	Returns inwards from: E Phillips kshs27; E. Rigby kshs30.
"	31	Returns outwards to: J Cook kshs13; C Davies kshs11.

(12 marks)

QUESTION THREE

(a) Explain the meaning of the following accounting concepts

- (i) The business entity principle.
- (ii) The historical cost principle.
- (ii) The monetary principle.
- (iii) The matching principle.
- (iv) The conservatism principle.

(10 marks)

(b) Total output of Rhoda for one week was 500units. She was allowed 10 minutes per unit. She completed these units in 50 hours. Her wage rate per hour is kshs 500.

Calculate Rhodas total wage according to

- (i) Halsey Bonus Scheme
- (ii) Rowan Bonus Scheme

(10 marks)

QUESTION FOUR

(a) A cashier in a firm starts with kshs 2,000 in the month of March (that is the cash float). In the following week, the following payments are made:

	kshs
1 st March – bought stamps for	80
2 nd March – paid bus fare for	120
2 nd March – cleaning materials	240
3 rd March – bought fuel	150
3 rd March – cleaning wages	300
4 th March – bought stamps	200
4 th March – paid L. Thompson (creditor)	400
5 th March – fuel costs	150

On the 5th of March the cashier requested for a refund of the cash spent and this amount was reimbursed back.

Required:

Prepare a detailed petty cash book showing the balance to be carried forward to the next period and the relevant expense accounts, as they would appear on the General Ledger.

(8 marks)

(b) Amanda in a manufacturing company can produce three products X, Y and on machine silah. The following information is provided in respect of these products for a specific period;

	X KSHS	Y KSHS	Z KSHS
Sales	150,000	220,000	240,000
Total costs:			
Material	50,000	120,000	150,000
Labour	25,000	40,000	30,000
Variable overhead	12,000	40,000	15,000
Fixed overhead	35,000	35,000	35,000

The directors of the firm fell strongly that product X which give losses to the firm should be discontinued .

Advise the firm as to whether to discontinue the production of product X or not. **(12 marks)**

QUESTION FIVE

(a) The following information was extracted from the books of Prisila Ltd in 2016:

Month	Sales	Purchases
April	75,000	50,000
May	80,000	55,000
June	80,000	45,000
July	85,000	45,000
August	100,000	40,000
September	100,000	65,000
October	90,000	70,000
November	90,000	30,000
December	100,000	30,000

NOTES:

- (i) Cash in hand at the end of May ,2016 will be kshs 90,000.
- (ii) 60% of the sales proceeds are received in the current month,, 30% in the following month and the balance is received two months after sale.
- (iii) Suppliers are paid one month after delivery of goods.
- (iv) Depreciation of Kshs 20,000 is to be deducted on a monthly basis.
- (v) Dividend of kshs 10,000 is to be received at the end of each quarter in the year.
- (vi) Office equipment worth kshs 70,000 is to be paid in November, 2016.

Prepare a cash budget for the period 1st June to 31st December2016. **(10 marks)**

(b) The following information relates to the car hire operated by Boaz

Vehicle	Date of purchase	Cost	Date of disposal	Sales proceeds
KAC	1 st Jan 2013	2M	-	-

KAB

30TH June, 2012

3M

1ST Sept, 2014

2.5M

Depreciation is at a rate of 15% Per annum.

Prepare,

- (i) Motor vehicle account
- (ii) Provision for depreciation account
- (iii) Disposal account

(10 marks)

QUESTION SIX

- (a) Explain FOUR errors not revealed by the agreement of a trial balance. **(8 marks)**
- (b) A manufacturing company produces tyres. In the year 2014, 100,000 tyres were produced but only 90,000 of them were sold. Production costs were as follows:

KSHS

Materials	28,000,000
Labour	8,000,000
Production overheads	10,000,000

NOTE;

60% of production overhead is fixed. The selling price for each tyre is kshs600.

- (i) Calculate the break-even level of output in units and shillings.
- (ii) Suppose the company intended to make a profit of kshs 6, 300, 000, what would the break-even be in units and output? **(12 marks)**